

APPENDIX 5

Economic Analysis for Pumpkin Creek Land Exchange EA

Assumptions/basis for economic analysis:

- **Recreation use:** The current type and annual level of recreation use on the private lands considered for acquisition and the BLM lands considered for disposal is unknown.
- **Proposed Action:** The anticipated annual level of recreation use on the private lands to be acquired as well as anticipated recreation use levels on BLM lands to be disposed are not identified. Therefore local economic impacts associated with recreation use can not be anticipated.
- **No Action:** The annual level of recreation use on the private lands and BLM lands are unknown; local economic impacts can not be anticipated.
- **Livestock grazing:** Approximately 500 cow/calf pairs graze on private lands considered for acquisition. The number of AUMs of grazing on this land is estimated to be 3,022. The current level of livestock grazing on BLM lands considered for disposal is 3,680 AUMs in 30 allotments. Administrative records are maintained in 27 case files. Current grazing fees are \$1.56/AUM. Annual revenues to the federal government amount to \$5,740. On these lands 12.5 percent of annual revenues (\$717.60) from Section 3 grazing fees are distributed to the state and counties. The estimated annual average cost to the BLM to administer livestock grazing is an estimated \$2,600 per permit (BLM, Cost of livestock grazing per allotment/permit for 2005). Total estimated annual costs of administering 27 grazing permits are \$70,200. It is estimated that 3,680 AUMs of livestock grazing on public lands supports less than one job in the local economy and less than \$8,000 in local labor income. (based on labor response coefficient and labor income response coefficient from the Dillon RMP, BLM, 2005)
- **Proposed Action:** It is assumed that livestock grazing would also continue on the lands acquired by the BLM. Net decrease in grazing would be about 658 AUMs. Net change in annual revenues to the federal government from livestock grazing permits would be reduced by an estimated \$1,026; grazing revenues to state and county governments would be reduced by about \$128. Livestock grazing on the disposed lands would continue because the land would be transferred to base property owners. Therefore these operations would likely not be affected. Estimated annual administrative costs to the BLM would be reduced by about \$46,800 because 18 grazing permits/case files would be closed.
- **No Action:** Economic activity would be the same as described for the affected environment.
- **Forestry/Timber:** An estimated 2,053 acres of public lands being considered for exchange have commercial timber. The estimated value of this commercial timber is approximately \$274,000. This does not include the value of posts/poles and other miscellaneous forest products that exist on the public lands.
- **Proposed Action:** Anticipated levels of timber harvest are unknown. Although timber on the disposed public lands does have commercial value; there would be no economic impact if the timber is not sold. The private landowner who would

acquire this land has other private land with commercial timber value and he has chosen not to sell this timber when inquiries were made (Ray Smith, personal conversation).

- **No Action:** There is insufficient basis for an economic analysis of timber management. No BLM timber sales have been planned for these timber stands. If commercial timber were sold, it would occur only where access is available. It would also likely be sold with one timber sale contract that would allow three years to harvest. BLM would likely leave about 30 percent of the commercial value timber for other resource objectives including sustainable forest objectives.
- **Mineral Development:** The size of the mineral estate of the private lands considered for acquisition by the BLM is unknown. Currently, 877.98 acres are all federal minerals and 40.05 acres are federal coal. The remaining minerals are private with an undivided 50% of the minerals being retained in previous transactions on approximately 3,910 acres. The private minerals will be conveyed to the BLM, but only to the extent that TCF owns them, as some of the minerals have been split off from the surface estate and TCF does not own minerals. There are no known mineral development proposals on either the public lands or the private lands. Mineral development potential is also unknown for all lands.
- **Proposed Action:** The amount of mineral estate and potential for mineral development to be gained by the BLM acquiring additional mineral estate is unknown. The private minerals will be conveyed to the BLM, but only to the extent that TCF owns them, as some of the minerals have been split off from the surface estate. BLM would not convey any mineral estate to private holdings. Therefore, potential economic impacts (e.g. additional local employment, labor income, public revenues, etc.) can not be predicted.
- **No Action:** There would be no change in management, land, or resource use; therefore, there would be no economic impacts from this alternative.
- **County revenue including PILT:**

Table 1: County Revenue from Affected Acreages					
	No Action			Proposed Exchange	
Custer County	14,666 BLM acres	PILT	\$20,679	14,010 BLM acres	PILT \$19,794
	14,038 Private acres	Taxes	10,669	14,666 Private acres	Taxes 11,146
		Total	31,348		Total 30,940
Carter County	5,469 BLM acres	PILT	\$1,094		
		Total	1,094	5,469 Private acres	Taxes \$4,156
					Total 4,156
Powder River County	76 BLM acres	PILT	\$15		
		Total	\$15	76 Private	Taxes \$58
					Total \$58

2006 PILT payments averaged \$1.41 (Custer County) and \$0.20 (Carter and Powder River County). (Source: Payment in Lieu of Taxes National Summary, 2006)

Average tax revenue from average grazing land is an estimated \$0.76 per acre. (Source: personal conversation with Lee Zuelke, Appraiser for MT Dept. of Revenue, 2/10/06, based on average grazing land in MT 2.8-3.79 AUMs/ac assessed value of \$46.23 x 3.14 % (taxable percent) x 0.525 (assumed Mill levy) = 0.76 per acre.

Consultation:

Lee Zuelke, Appraiser for MT Dept. of Revenue, 2/10/06